

Message Text

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APPROVED BY NEA:SSOBER

OPIC:KBAZARIAN

TREASURY:HMCFADDEN

TREASURY:MR.PARSKY (SUBS)

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FM SECSTATE WASHDC

TO AMEMBASSY KUWAIT PRIORITY

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EO 11652 N/A

TAGS:BEXP,EFIN, ECRE, EAID, FHWA, KU

SUBJECT: PERFORMANCE BOND ON CONSTRUCTION CONTRACTS

REF: KUWAIT 3338

1. DURING MEETING ON JULY 20 BETWEEN DEPUTY ASSISTANT SECRETARY SOBER AND KUWAITI AMBASSADOR TO DISCUSS SEVERAL PENDING ITEMS, WE TOOK OPPORTUNITY TO RAISE PERFORMANCE BOND PROBLEM ON CONSTRUCTION CONTRACTS. IN RESPONSE TO MR. SOBER'S SUGGESTION, KUWAITI AMBASSADOR AGREED TO ARRANGE MEETING BETWEEN STATE/TREASURY/OPIC TEAM AND KUWAITI COUNSELOR OF EMBASSY AL-HASANI TO DISCUSS ALTERNATIVES TO PRESENT BANK GUARANTEE SYSTEM ON CONSTRUCTION PROJECTS IN KUWAIT.

2. WE HAVE NOW HAD AN OPPORTUNITY TO HAVE A THOROUGH DISCUSSION WITH AL-HASANI ON ADVANTAGES WE SEE OF SURETY BOND SYSTEM FOR CONSTRUCTION PROJECTS IN KUWAIT. WE HAVE ALSO BEEN ABLE TO BRIEF KUWAITI EMBASSY OF RESULTS OF TREASURY TEAM'S EFFORTS IN KUWAIT LAST MONTH (REFTEL). AL-HASANI
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HAS EXPRESSED MUCH INTEREST IN OUR APPROACH. AFTER BEING

BRIEFED ON RECEPTION

KUWAITI OFFICIALS GAVE TO TREASURY PROPOSALS, COUNSELOR HAS SUGGESTED THAT FROM HIS PERSPECTIVE, THE DECISION NECESSARY TO CHANGE KUWAITI PRACTICE COULD ONLY BE TAKEN BY THE MOST SENIOR LEVELS OF THE MINISTRY OF FINANCE. COUNSELOR HAS GRACIOUSLY OFFERED TO POUCH BACK TO KUWAIT, TOGETHER WITH HIS REPORT OF DISCUSSION, ANY SUPPORTING MATERIAL U.S. REPS COULD SUPPLY. U.S. REPS AGREED IN PRINCIPLE TO SUPPLY BACKUP MATERIAL.

3. BACKUP MATERIAL, DESCRIBING IN DETAIL THE ADVANTAGES WE PERCEIVE IN A SURETY BONDING SYSTEM, HAS NOW BEEN PREPARED. THERE ARE BASICALLY TWO WAYS WE COULD TAKE ADVANTAGE OF THE OFFER MADE BY KUWAITI COUNSELOR TO POUCH THIS MATERIAL TO GOK AUTHORITIES. WE THINK ONE OPTION IS CLEARLY PREFERABLE, BUT BEFORE DECIDING, WE WISH TO BENEFIT FROM EMBASSY'S BEST JUDGMENT. THE TWO OPTIONS ARE:

OPTION A: SIMPLY GIVE THE MATERIAL WE HAVE PREPARED TO THE KUWAITI EMBASSY FOR TRANSMISSION TO KUWAITI AUTHORITIES.

OPTION B: COVER THE MATERIAL WITH A LETTER FROM ASSISTANT SECRETARY OF TREASURY PARSKY TO KUWAITI MINISTER OF FINANCE ABD-AL-RAHMAN S. AL-ATEEQI COMMENDING THE PACKAGE OF INFORMATION TO HIS PERSONAL ATTENTION, AND OFFERING TO SEND A TREASURY/SURETY BOND INDUSTRY TEAM TO DISCUSS THE MATTER FURTHER IN KUWAIT AT A TIME CONVENIENT TO GOK OFFICIALS.

4. WE PREFER OPTION B SINCE IN DIRECTING OUR CORRESPONDENCE TO THE MINISTER OF FINANCE, WE FOLLOW THE KUWAITI COUNSELOR'S ADVICE OF THE LOCUS FOR DECISION-MAKING ON THIS QUESTION, AND INCREASE THE CHANCES THAT OUR EFFORTS WILL LEAD TO HIGH-LEVEL CONSIDERATION OF OUR PROPOSAL. REQUEST EMBASSY ADVISE BY PRIORITY CABLE WHETHER THIS APPROACH SEEMS APPROPRIATE.

5. WE WOULD ALSO BE INTERESTED IN EMBASSY REACTION/
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COMMENTS ON REPORT APPEARING IN JULY 5 ISSUE OF "MIDEAST MARKETS; PUBLISHED BY CHASE WORLD INFORMATION TO THE EFFECT THAT KUWAIT NOW ALLOWS BANK GUARANTEE PERFORMANCE AS LOW AS 2.5 PERCENT.
HABIB

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